

## Message Text

CONFIDENTIAL

PAGE 01 EC BRU 03234 01 OF 02 111750Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

SAM-01 IO-10 AGR-05 PA-01 PRS-01 USIA-06 L-02 H-02

/102 W

----- 099644

R 111228Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8645

INFO ALL EC CAPITALS 527

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 3234

E.O. 11652: ADS- "DECLASSIFIED JAN. 1,1978"

TAGS: EFIN, EEC

SUBJECT: EC CENTRAL BANK GOVERNORS CONSIDER SWISS ENTRY INTO THE  
"MINI-SNAKE"

REFS: A. EC BRUSSELS 3126

B. EC BRUSSELS 2551

1. SUMMARY: KEY EC COMMISSION OFFICIALS TELL USTHAT THE  
CENTRAL BANK GOVERNORS REACHED NO DECISION CONCERNING  
POSSIBLE SWISS ENTRY INTO THE SNAKE. TECHNICAL PROBLEMS  
APPEAR TO BE SOLUBLE BUT SERIOUS RESERVATIONS, ESPECIALLY  
ON THE PART OF BELGUIM AND FRANCE, STILL NEED TO BE

RESOLVED. THE EC FINANCE MINISTERS ARE NOT EXPECTED  
TO REACH A FINAL DECISION ON MARCH 21. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03234 01 OF 02 111750Z

2. EC COMMISSION OFFICIALS INFORM US THAT THE EC CENTRAL

BANK GOVERNORS REACHED NO DECISION AT THEIR MEETING IN BASLE ON APRIL 8 ON THE ENTRY OF SWITZERLAND INTO THE "MINI-SNAKE". THE GOVERNORS RECOMMEND THAT "FURTHER TECHNICAL STUDIES" ARE NEEDED BUT OFFICIALS HERE BELIEVE THE OUTSTANDING DIFFERENCES ARE PRIMARILY POLITICAL. SEVERAL MEMBER STATES ARE CONCERNED THAT SWISS ENTRY WILL CAUSE THE SNAKE TO APPRECIATE WHICH COULD CREATE DIFFICULTIES FOR WEAKER PARTICIPATING CURRENCIES AND FOR THE ENTRY OF OTHER MEMBER STATES. THE EC FINANCE MINISTERS PLAN TO DISCUSS THE ENTRY TERMS OF THE SF AT THEIR LUNCH ON MARCH 21 BUT THEY ARE EXPECTED TO REACH NO DECISION. COMMISSION SOURCES BELIEVE IT WILL BE AT LEAST SEVERAL MONTHS BEFORE A COUNCIL DECISION IS REACHED. SWISS OFFICIALS HERE ARE TAKING A RELAXED VIEW; THE GOS IS REPORTEDLY IN NO HURRY. THE GOS REPORTEDLY BELIEVES IT WOULD BE COUNTER-PRODUCTIVE TO PUSH THE EC INTO TAKING A DECISION.

3. SERIOUS RESERVATIONS: THE BELGIANS REPORTEDLY RAISED A NUMBER OF CONDITIONS FOR SWISS ENTRY (SEE REF A) AT THE GOVERNOR'S MEETING. THESE RESERVATIONS ARE DESCRIBED IN PART AS DELAYING TACTICS. COMMISSION OFFICIALS STATE BELGIUM IS FEARFUL THAT SWISS ENTRY WILL CAUSE THE SNAKE TO APPRECIATE AND CONSEQUENTLY CREATE POSSIBLE DIFFICULTIES FOR OTHER SNAKE MEMBERS. THIS VIEW IS SUPPORTED IN PART BY SEVERAL OTHER MEMBER STATES.

4. FRENCH RESERVATIONS: FRANCE REPORTEDLY WOULD LIKE TO DELAY A DECISION FOR SEVERAL MONTHS TO SEE IF THE SF'S RATE WILL STABILIZE. IT ALSO WANTS TIME TO SEE IF FRENCH FOREIGN EXCHANGE RESERVES REMAIN STABLE AND THE FRENCH FRANC'S VALUE CONTINUES TO REMAIN CLOSE TO THAT OF THE SNAKE'S CENTRAL RATE. SWISS OFFICIALS HERE TELL US FRENCH FINANCE MINISTER FOURCADE SAID TO THE SWISS FINANCE MINISTER IN PARIS ON APRIL 8 THAT THE GOF WANTED TO PROCEED CAREFULLY. THE FRENCH WANT TO DRAW UP CONDITIONS THAT REPORTEDLY WILL HELP FACILITATE THE POSSIBLE RE-ENTRY OF THE FF IN SIX

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 03234 01 OF 02 111750Z

MONTHS OR SO. THESE CONDITIONS WOULD INCLUDE SHORT-TERM CREDIT ARRANGEMENTS, SWISS RESTRICTIONS ON CAPITAL FLOWS AND POSSIBLE ENLARGEMENT OF THE SNAKE'S MARGINS.

5. DEPUTIES REPORT: THE CENTRAL BANK GOVERNORS ADOPTED THE HAYVAERT'S GROUP REPORT (REFTEL A) AND CONSIDERED A SUPPLEMENTAL REPORT BY THE DUPTIES OF THE COM-

MITTEE. THIS REPORT, WE ARE TOLD, PROPOSED THREE  
CONDITIONS FOR SWISS ENTRY: 1) A SATISFACTORY  
ENTRY RATE FOR THE SF; 2) CONTINUED SWISS  
RESTRAINTS ON CAPITAL INFLOWS AND POSSIBLE NEW  
EMERGENCY MEASURES TO MEET EXCEPTIONALLY LARGE  
INFLOWS; AND 3) CLOSE CONSULTATIONS BETWEEN THE  
SWISS AND OTHER ASSOCIATED STATES, AND THE MEMBER  
STATES. SEVERAL MEMBER STATES AND THE COMMISSION  
ARE FEARFUL THAT SF ENTRY WOULD ENHANCE THE  
TREND TOWARD A HARD CURRENCY BLOC OUTSIDE OF THE  
EC. THE SNAKE HAS OPERATED SOMEWHAT SEPARATELY  
FROM ESTABLISHED EC INSTITUTIONS AND COORDINATION  
PROCEDURES. ON THE OTHER HAND, SWISS ENTRY WOULD  
STRENGTHEN MONETARY STABILITY.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 EC BRU 03234 02 OF 02 111717Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

SAM-01 IO-10 AGR-05 PA-01 PRS-01 USIA-06 L-02 H-02

/102 W

----- 099240

R 111228Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8646

INFO ALL EC CAPITALS 528

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 2 OF 2 EC BRUSSELS 3234

6. CONSULTATION PROCEDURES: COMMISSION OFFICIALS  
SAY SEVERAL POSSIBLE CONSULTATION MECHANISMS ARE  
UNDER CONSIDERATION. THE EC CENTRAL BANK GOVERNORS

HAVE MET TWICE NOW WITH THE SWISS AND ASSOCIATE MEMBERS OF THE SNAKE. THIS PROCEDURE COULD POSSIBLY BE FORMALIZED AND THEREBY ASSURE CLOSE SWISS-EC CONSULTATION ON MONETARY AND FINANCIAL POLICY. CONSIDERATION IS ALSO BEING GIVEN TO INCORPORATING THE REGULAR MEETINGS OF "MINI-SNAKE" FINANCE MINISTERS INTO THE MONTHLY FINANCE COUNCIL MEETINGS. THIS WOULD ASSURE THAT ALL OF THE NINE WOULD HAVE POLICY REVIEW OVER SNAKE OPERATIONS. THE COMMISSION HAD CONSIDERED STRENGTHENING THE EUROPEAN MONETARY COOPERATION FUND (EMCF) SO THAT IT COULD MORE EFFECTIVELY SUPERVISE SNAKE OPERATIONS. THIS PROPOSAL REPORTEDLY MET WITH UNANIMOUS OPPOSITION FROM THE MEMBER STATES AND WAS DROPPED FOR THE TIME BEING. THE COMMISSION, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03234 02 OF 02 111717Z

HOWEVER, DOES NOT PLAN TO WITHDRAW ITS PROPOSED REFORM OF EMCF (SEE REF B) AND HOPES TO RAISE IT AGAIN, POSSIBLY WHEN AND IF THE FRENCH DECIDE TO RE-ENTER THE SNAKE.

7. LIKELIHOOD OF SWISS ENTRY: SEVERAL KEY OFFICIALS BELIEVE THE MEMBER STATES' RESERVATIONS CAN BE RESOLVED. OTHERS ARE MORE SCEPTICAL AND INDICATE THE SWISS WILL HAVE TO BE WILLING TO ACCEPT ANUMBER OF CONDITIONS. ALL AGREE THAT THE TECHNICAL PROBLEMS ARE SOLUABLE. OFFICIALS TELL US THAT A NATIONAL SWISS REFERENDUM IS COMING UP IN JUNE TO APPROVE THE GOS'S EMERGENCY MEASURES TO RESTRAIN CAPITAL INFLOWS. SHOULD THE VOTE BE AFFIRMATIVE, OFFICIALS HERE BELIEVE THAT THE GOS MIGHT BE IN A BETTER POSITION TO MAKE A FINAL DECISION REGARDING ITS ENTRY. THUS, SEVERAL OFFICIALS HERE BELIEVE THAT NEGOTIATIONS OVER THE SF ENTRY COULD SLIDE INTO LATE JUNE BEFORE CURRENT DIFFICULTIES ARE RESOLVED ONE WAY OR THE OTHER. GREENWALD

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEMBERSHIP, GOVERNMENT REACTIONS, REGIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ECBRU03234  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** AS SIFIED JAN. 1,1978"  
**Errors:** N/A  
**Film Number:** D750127-0520  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750459/aaaacow.tel  
**Line Count:** 208  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 EC BRUSSELS 3126  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 APR 2003 by BoyleJA>; APPROVED <16 SEP 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC CENTRAL BANK GOVERNORS CONSIDER SWISS ENTRY INTO THE "MINI-SNAKE"  
**TAGS:** EFIN, SZ, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006